

# **Executive Summary: Housing the Vulnerable in Mercer County**

A report by the Mercer Alliance to End Homelessness

September, 2008

The report, *Housing the Vulnerable in Mercer County*, provides an estimate of how much housing needs to be available to address the needs of cost-burdened households, those paying more than 30% of their income for housing. The report estimates that need to be close to **19,000 housing units** for those who earn up to 80% of the area's median household income (MHI) and another 5,000 units for households that earn up to 110% of the MHI.

These vulnerable households are found in every income group and in every town in Mercer County. The report identifies **49,366 households in Mercer County who are cost-burdened** (39% of all households). It also shows that as housing prices and rents rose in Mercer County; **dramatically fewer units were available for incomes up to 110% of median household income**. From 2002 to 2006 on average 1,195 rental units a year became unaffordable for those earning up to 80% of median household income. In contrast, Mercer has gained 8,514 owner occupied units per year affordable to the incomes over 110% of median household income. Housing affordability problems have begun to creep upward, increasingly affecting households that are considered middle class.

In addition, **the report provides for the first time an estimate of the future demand for housing in these income groups**. This estimate is based on the projected income of new workers coming into the County by 2018 – 77% of which are expected to make up to 110% of Mercer County's MHI<sup>1</sup> (52% of new jobs will make up to 80% MHI).

**Findings:** Adding together the pent-up demand and the needs of new households through 2018, the report estimates the need to be close to **19,000 housing units** for those making up to 80% of the MHI. If the needs of a greater portion of the workforce were to be considered – households that make up to 110% of the MHI – the Project estimates the need to be close to **24,000 units**.

This estimate of the need for housing affordability in Mercer County now and in the future is much higher than the number issued in 2008 by New Jersey's Council on Affordable Housing (COAH) – about **12,000 units** by 2018. The methodology used to estimate the need by the two groups is completely different. COAH, for example, does

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<sup>1</sup> The report uses as \$65,305 as the 2006 Median Household Income (MHI) for Mercer County estimated by the **American Community Survey** of the US Census Bureau: 30% of the County MHI is \$19,591.50; 50% of the County MHI is \$32,652.20; 80% of the County MHI is \$52,244; and 110% of the County MHI is \$71,835.50. The report also uses the **2007 NJ Department of Labor Mercer County OES Wage Survey** figures to estimate the occupations that fall within each income group and **NJDOL's 2014 Estimated and Projected Employment by Occupation** to estimate the number of new jobs (32,660 - an added 14%) by 2018.

not consider the pent-up demand for housing the cost-burdened in their calculations, nor does it use an estimate of the income of future wage-earners to project future need for housing the workforce. The *Housing the Vulnerable Report*, on the other hand, does not count the amount of housing in need of rehabilitation inhabited by low and moderate income households as COAH does. If it did so, it would add almost 2000 more units to the report's estimates.

### **Further Findings:**

1. Of all households in Mercer County, **49,366 (39%)** were cost-burdened in 2006, 62% of which were homeowners.
2. This total number of cost-burdened makes up almost **50% of all renters** and **35% of all homeowners**.
3. There are 21,968 households spending more than 50% of their income on housing, making up **25% of all renters** and **14% of all home owners**.
4. The overall gap is this: there are **57,612 units** affordable to those making up to 110% of the MHI, and there are **71,689 households** with incomes that make up to 110% (about \$72,000) of the MHI.
5. As the price of housing goes up, the County loses what affordable housing it has. From **2002 to 2006 the County lost 1,915 rental units** on average per year of housing that had originally been affordable to households making up to 80% of MHI. In the same time period, it lost **4,764 owner occupied units** per year affordable to the same group. (875 rentals, 6733 owner occupied units lost to households making up to 110%)
6. Of Mercer County's 32,660 projected new jobs, **25,100 (77%)** of the workers will make up to 110% of the median income (17,090 - 52% of new jobs will make up to 80% MHI).

Other problems exacerbating the need for affordable housing:

7. The amount of jobs in the region is increasing faster than the housing. In 1980, the region had almost as many jobs as houses – the ratio was 1.1 jobs to every house. By 2000, it had almost two jobs to every house – 1.8 jobs to 1 house. The lack of supply causes housing to become even more costly, and creates transportation problems for workers.
8. Excessive reliance on property taxes to fund public schools and municipal service costs, plus local fear of public school costs associated with family housing that makes towns reluctant to zone for some, but not all, housing types.

**Summary Table**

| <b>Jobs and Housing Data by Income Group</b>                       | <b>80% of MHI</b> | <b>Up to 110% of MHI</b> |
|--|-------------------|--------------------------|
| Number of New Jobs by 2018   | 17,090            | 25,100                   |
| Percent of New Jobs by 2018  | 52%               | 77%                      |
| 2018 Demand of Housing Units                                       | 18,980            | 23,854                   |
| Avg. Affordable Units Lost per Year - Rentals                      | 1,915             | 875                      |
| Avg. Affordable Units Lost per Year - Owners                       | 4,764             | 6,733                    |
| Deficit of Units matched by affordability and income levels - 2006 | 2,266             | 11,979                   |

*See Appendices for source data*

**Recommendations for further work:** The main focus of the report was to produce the estimates of need. It does, however, outline some suggestions as to areas in need of further exploration:

1. While the project looked at existing zoning, it did not look at potential changes to zoning. The extent to which zoning in Mercer County can be modified in order to address the target numbers should be explored.
2. The role of land trusts, prefabricated building components and other innovations to lower the cost of housing in high cost areas should be considered.
3. It will be important to identify which existing laws and regulations either speed or impede the production of affordable housing and to make recommendations accordingly.